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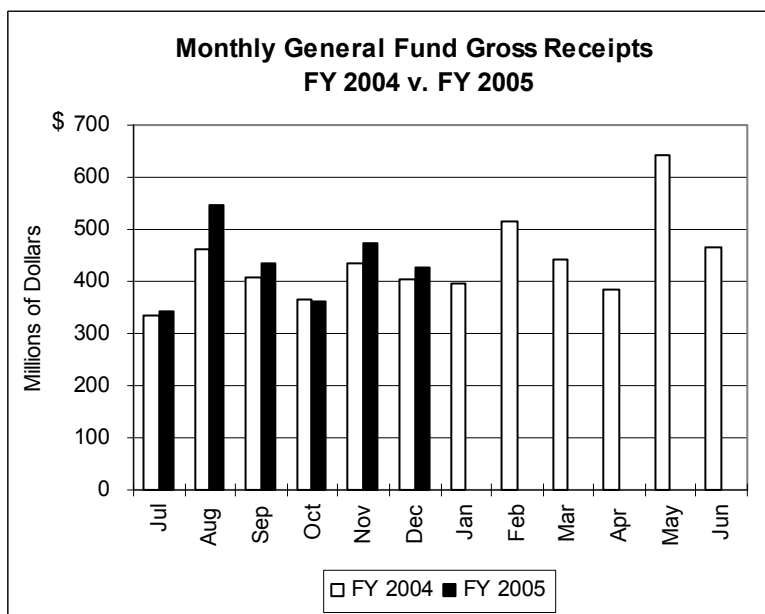
ADMINISTRATIVE SERVICES
 TIMOTHY C. FALLER

MEMORANDUM

TO: Members of the Iowa Senate and
 Members of the Iowa House of Representatives
 FROM: Dennis C. Prouty
 DATE: January 3, 2005

Monthly General Fund Receipts through December 31, 2004

The attached spreadsheet presents year-to-date FY 2005 General Fund receipts, with comparable figures for actual FY 2004. The figures can be compared to the FY 2005 estimate of \$5.400 billion set by the Revenue Estimating Conference (REC) on December 14, 2004. The FY 2005 estimate is an increase of \$141.5 million (2.7%) compared to actual FY 2004 gross cash receipts (excluding transfers and accrued revenue changes). The next Revenue Estimating Conference has not been scheduled.



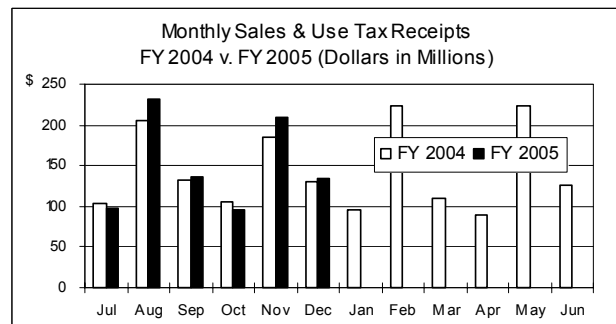
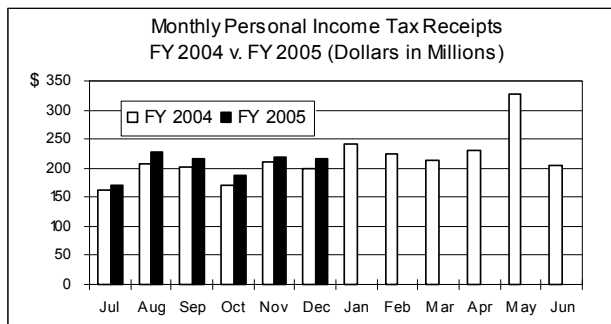
FY 2005 Compared to FY 2004

Fiscal year 2005 total cash gross revenues (excluding transfers) increased \$172.5 million (7.2%) compared to FY 2004 (through December). Major revenue sources contributing to the change include:

- Personal income tax (positive \$84.8 million)
- Sales/use tax (positive \$42.1 million)
- Corporate tax payments (positive \$28.2 million)
- Other taxes (positive \$19.8 million)
- Other receipts (negative \$2.3 million)

Personal income tax revenues received in December totaled \$216.1 million, an increase of \$16.1 million (8.1%) compared to December 2003. For the month, withholding tax payments increased 4.7% and estimate payments increased 41.7%. Payments with returns were down, but are not a significant revenue source in December.

The FY 2005 REC income tax estimate of \$2.717 billion represents a projected increase of 4.8% compared to actual FY 2004. Year-to-date, income tax receipts have increased 7.4%. Tax law changes related to bonus depreciation and Section 179 expensing will impact the remainder of the year and should reduce the percentage growth going forward. In addition, planned revisions to income tax withholding tables will negatively impact the last three months of FY 2005. The following chart compares FY 2005 monthly personal income tax receipts from the three personal income tax sub-categories with FY 2004.



Sales/use tax receipts received in December totaled \$134.9 million, an increase of \$4.9 million (3.8%) compared to December 2003.

The REC estimate for FY 2005 sales/use tax receipts is \$1.767 billion, an increase of 2.0% compared to actual FY 2004. Year-to-date, sales/use tax receipts have increased 4.9%. The preceding chart compares FY 2005 monthly sales/use tax receipts with FY 2004.

Corporate tax receipts received in December totaled \$29.8 million, a \$7.0 million increase (30.7%) compared to December 2003.

The REC estimate for FY 2005 corporate tax receipts is \$230.6 million, which represents a decrease of 1.8% compared to actual FY 2004. Year-to-date corporate tax receipts have increased 31.2%. Tax law changes related to bonus depreciation and Section 179 expensing will impact the remainder of the year and should reduce the percentage growth going forward.

Other tax receipts received in December were \$26.2 million, a \$5.4 million (26.0%) increase compared to December 2003. With the exception of cigarette tax receipts, all subcategories of other taxes showed growth for the month.

The REC estimate for FY 2005 receipts from other taxes is \$369.2 million, which represents an increase of 0.7% compared to actual FY 2004. Year-to-date, other tax receipts have increased 16.4%. The large year-to-date increase is due to insurance premium tax rate and due date changes taking place in FY 2005 and will result in extra revenue in the first eight months of the fiscal year and reduced revenue during the final four months. This will cause the revenue category to appear above projections during those first eight months.

Other receipts (non-tax receipts) received in December totaled \$21.0 million, a decrease of \$10.8 million (- 34.0%) compared to December 2003. The December 2004 decrease was due to a December 2003 one-time deposit of \$10.0 million in Area Education Agency (AEA) funds. Fee revenue was also down for the month.

The REC estimate for FY 2005 other receipt revenue is \$316.2 million, which represents a decrease of 4.8% compared to actual FY 2004. The projected decrease relates to transfers from the AEA and the Unclaimed Property Fund. Year-to-date, other receipts have decreased 1.2%.

Status of the Economy

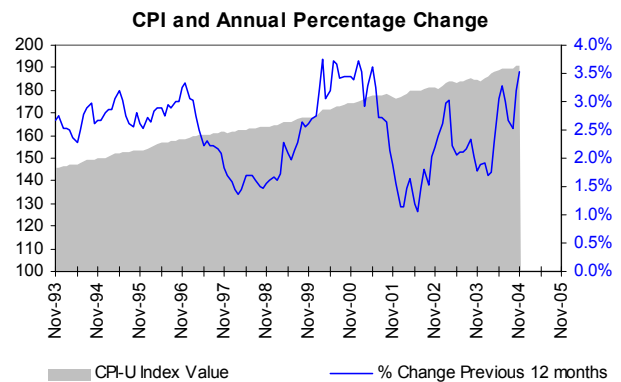
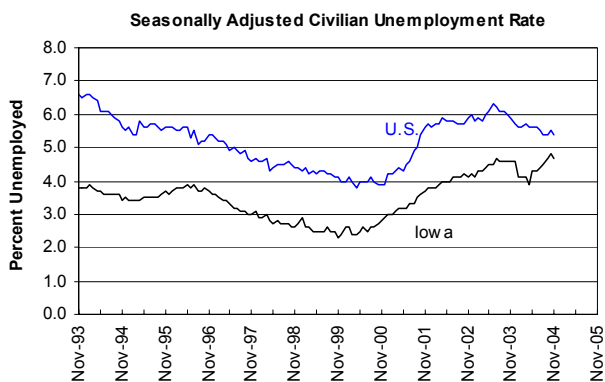
The November seasonally adjusted Iowa civilian unemployment rate was 4.7%, a decrease of 0.1% compared to the October level and 0.1% higher than one year ago. Iowa's total seasonally adjusted November 2004 employment registered at 1,554,000, up 28,600 (1.6%) from last year's November level.

The number of unemployed persons in Iowa was reported at 77,400 in November, an increase of 4,400 compared to November 2003.

The U.S. unemployment rate for November 2004 was 5.4%, 0.7 percentage points above the Iowa rate. This is as close as the Iowa and national rates have been since September 1987. One year ago, the U.S. unemployment rate was 5.9%.

Consumer prices increased 0.1% during the month of November (not seasonally adjusted). The Consumer Price Index (CPI-U) through November 2004 was 191.0 (1983/84=100), 3.5% higher than one year ago. The annual rate of inflation as measured by the CPI has not been this high since May 2001.

The following charts illustrate Consumer Price Index and U.S./Iowa unemployment comparisons through November.



Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://staffweb.legis.state.ia.us/lfb/revdebt.htm>.

GENERAL FUND RECEIPTS - FY 2004 vs. FY 2005 July 1 through December 31, in millions of dollars Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers					ESTIMATED GENERAL FUND RECEIPTS in millions of dollars FY 04 Actual Compared to FY 05 REC Estimate		
	FY 2004	FY 2005	Year to Date % CHANGE	December % CHANGE	Actual FY 2004	Estimate FY 2005	Projected % CHANGE
Personal Income Tax	\$ 1,151.7	\$ 1,236.5	7.4%	8.1%	\$ 2,592.3	\$ 2,716.7	4.8%
Sales/Use Tax	863.8	905.9	4.9%	3.8%	1,732.4	1,766.8	2.0%
Corporate Income Tax	90.3	118.5	31.2%	30.7%	234.8	230.6	-1.8%
Inheritance Tax	40.7	42.4	4.2%	25.9%	80.1	77.7	-3.0%
Insurance Premium Tax	5.4	21.9	305.6%	0.0%	138.2	145.0	4.9%
Cigarette Tax	43.5	43.7	0.5%	-6.4%	87.1	88.0	1.0%
Tobacco Tax	4.1	4.4	7.3%	66.7%	8.0	8.2	2.5%
Beer Tax	7.3	7.4	1.4%	22.2%	14.0	14.0	0.0%
Franchise Tax	17.9	17.6	-1.7%	18.9%	38.0	35.3	-7.1%
Miscellaneous Tax	2.0	3.3	65.0%	2400.0%	1.1	1.0	-9.1%
Total Special Taxes	\$ 2,226.9	\$ 2,401.7	7.8%	8.9%	\$ 4,926.0	\$ 5,083.3	3.2%
Institutional Payments	6.2	6.4	3.2%	0.0%	13.7	13.0	-5.1%
Liquor Profits	25.0	25.0	0.0%	0.0%	58.0	60.1	3.6%
Interest	3.5	5.0	42.9%	50.0%	7.6	7.0	-7.9%
Fees	35.3	27.7	-21.5%	-28.8%	79.9	65.1	-18.5%
Judicial Revenue	24.8	25.8	4.0%	12.2%	57.5	57.3	-0.3%
Miscellaneous Receipts	29.8	32.4	8.7%	-83.8%	55.2	53.7	-2.7%
Racing and Gaming Receipts	60.0	60.0	0.0%	0.0%	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 2,411.5	\$ 2,584.0	7.2%	5.6%	\$ 5,257.9	\$ 5,399.5	2.7%